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U.S. AND FOREIGN COMMERCIAL SERVICE

HEARING

BEFORE THE

SUBCOMMITTEE ON FOREIGN COMMERCE AND TOURISM

OF THE

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION

UNITED STATES SENATE

ONE HUNDRED FIRST CONGRESS

FIRST SESSION

ON

OVERSIGHT OF THE U.S. AND FOREIGN COMMERCIAL SERVICE

NOVEMBER 1, 1989

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OVERSIGHT OF THE U.S. AND FOREIGN COMMERCIAL SERVICE

WEDNESDAY, NOVEMBER 1, 1989

U.S. SENATE,
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION,
SUBCOMMITTEE ON FOREIGN COMMERCE AND TOURISM,
Washington, D.C.

The subcommittee met, pursuant to notice, at 11:05 a.m. in room SR-253, Russell Senate Office Building, Hon. John D. Rockefeller, IV (chairman of the subcommittee) presiding.

Staff members assigned to this hearing: Sally Susman, professional staff member; and Fiona Branton, minority staff counsel.

OPENING STATEMENT BY SENATOR ROCKEFELLER

Senator ROCKEFELLER. I am glad to call to order this hearing, which is in the form of an oversight hearing, on the U.S. and Foreign Commercial Service. I held the hearing on the US&FCS each year since I became chairman of the Foreign Commerce and Tourism Subcommittee. My reason for that is because I am fundamentally committed to working on trade issues, and I see this as a forum through which to do it.

Many of us in this hearing room, and most particularly Susan Schwab, worked very long and very hard and, in my judgment, effectively to create the Omnibus Trade Bill of 1988. The bill toughened our trade laws and it gave us an instrument which has the potential for strong action through Super 301. The idea of course is to help open foreign markets to American companies.

The advances in the new trade law, however, would be not very meaningful if American companies do not step up and meet the challenge of exporting.

As in many things that we negotiate with other countries, and particularly with the Japanese, we can say one thing in law, which states national purpose and will, and the business community or the American private sector, or America as a whole, does not take advantage of the opportunity.

I am thinking now of not only the Japanese Technical Literature Act, where American industry is not taking advantage of the opportunity to learn about advances in technology in Japan, which are freely available to them at cost, and also potentially on the Japanese-United States Science and Technology Agreement, where there were concessions made by the Japanese, grudgingly admitted, but nevertheless made.

And whether or not American researchers, for whatever reason, will decide to take advantage of those openings and get into Japanese laboratories and research institutions is not entirely up to the Japanese, it is up to American researchers.

And this is always a very interesting question, when funneling attention on the Japanese, one can often turn up insufficient efforts of the American side.

In any event, in this case, we have a good trade law, not perfect, but good. But it will not mean anything unless it results in tangible benefits.

In the case of exporting, those benefits produce critical dollars and that obviously is useful to our woefully large trade accounts.

International trade is a glamorous subject, and people love to talk about it and write about it and hear about it; exporting is not. That is called hard work, and it is nuts and bolts. Exporters must master a lot of tedious details, in theory, a language or two. And they certainly have to solve the problems in commercial cultures that they do not quite understand.

We have heard all the horror stories and we know the likelihood that the process can end in frustration. The mission of the US&FCS is to help small and medium-sized businesses work their way through this morass of details and complete a sale in a foreign country.

Through past oversight hearings, I have realized that a critical function of the US&FCS is providing quality information to the export community. I relate to the need for that, as I think in my own state of West Virginia, where in fact we export 17 percent of our gross state product, which I think is about 5 or 6 percent above the national average; we are enormously dependent upon international trade. And it is not just coal, it is all kinds of chemical and electrical products.

Nevertheless, our small- and medium-sized business people are not in the habit of exporting. They do not see exporting as being as beneficial to them as they ought to. So, as I talk to others, I try to talk to the people of my own state about the advantages of exporting.

We had our first oversight hearing in October of 1987. And, at that point, the Director General promised the subcommittee that your CIMS, the Commercial Information Management System, would be fully implemented by the end of the year. Those were his words, "fully implemented by the end of the year."

At my second hearing in the fall of 1988, I asked the Commerce witness to tell us when CIMS would be operational, and his answer was "early next year."

At that point, I asked the General Accounting Office to study CIMS. It seemed like a reasonable, temperate thing to do. I asked them to address the availability and the data collection procedures of the system.

Is it operational? Is the data of good quality?

Our request also asked GAO to assess the financial commitment necessary to make this system work and complete the project.

Dr. Mendelowitz of the GAO is here, and he is going to testify on the report, and I look forward to that testimony. Those of us who have read the report and followed CIMS tortured history can anticipate Dr. Mendelowitz' testimony.

Sue Schwab and I are good enough friends that we need not beat around the bush, and that is that CIMS is not working.

The failure of CIMS is not Sue Schwab's fault. And I happen to believe that Sue may be the only person in the western world who can straighten this mess out.

My intention with this hearing is not to embarrass the Department of Commerce, and I honestly mean that. I just happen to care about the business of medium- and small-sized businesses getting into the export business to the enormous advantage of the state that I represent, the people I represent, and the trade balance that we all suffer under.

And therefore I am trying to do something I can to help, anything I can to help. Through this subcommittee, that is what I can do to help.

I think we have an opportunity to take a fresh look at the issue and to get on the right track. We all share a common goal, which is to get accurate, timely information into the hands of exporters. Whether that goal is accomplished through CIMS or some other system is less important to me than that we make a commitment to see this through, somehow, to a successful end, and get into the hands of the small businessmen and the medium-sized business operations information and data which is useful and true and which causes them and encourages them to do more exporting than they have been or to take up exporting where they have been doing none.

I therefore logically look forward to this hearing.

Senator Burns do you wish to make an opening statement?

OPENING STATEMENT BY SENATOR BURNS

Senator BURNS. Mr. Chairman, first of all, I want to commend you for calling this hearing. I believe that it is important for the small and medium sized businesses in our country to have the data that they need to increase U.S. export capability.

Our small and medium sized businesses are chomping at the bit to get out into the international market place and compete. I have companies in my own state of Montana such as Montana Log Homes outside Bozeman and Hi Country Beef Jerky of Lincoln, MN—just to name a few—that are already out there carving niches for themselves in the Pacific rim and elsewhere.

What these small businesses need is information. They need leads to customers. They need to be matched up with willing buyers.

Mr. Chairman, foreign countries are anxious to buy from us. But we are a huge country and it is difficult for trading missions to get into areas such as my part of the country—or your part of the country—and see what is being offered.

The role of the Department of Commerce, the U.S. Foreign Commercial Service, and the commercial information management system, are critical to the potential success of thousands of small and medium sized businesses all across the United States.

I say that even though I note that there is not an office in my home state of Montana. Something that we may have to look into more closely in the near future.

The U.S. and Foreign Commercial Service is mandated to provide export counseling and assistance to U.S. small and medium sized businesses. Many of those businesses do not have the resources to perform their own market research abroad, do not have the employees who speak the language necessary to communicate with potential foreign buyers, and do not have access to the means to get their products onto the shelves in foreign markets. The U.S. and Foreign Commercial Service, through its offices around the world, can help open doors for American companies in foreign countries, and can guide companies throught the complex and often arduous process of developing and implementing an export program.

As the United States' position in international markets becomes less secure, and our trade deficit remains high, the promotion of exports will become even more important that it already is. Last year, the U.S. trade deficit was in excess of $118 billion. Increasing the amount of goods we sell overseas can help bring it down. And we are making progress. Exports are increasing faster than imports.

Last year, exports from the 17 western states, including Montana, totaled $80 billion. Some of that was a direct result of the export promotion programs of the U.S. and Foreign Commercial Service. But we occasionally hear that American industry and the Federal Government are not doing enough to increase our export activity. Strong export activity is the best way to resolve our trade deficit. It also improves our economic growth, national wealth, employment and our standard of living.

I am concerned to hear that the commercial information management system has some problems. I look forward to learning from our distinguished witnesses this morning how we can improve the services that the U.S. Foreign Commercial Service offers.

Thank you Mr. Chairman.

Senator ROCKEFELLER. Thank you Senator Burns. I also have an opening statement that Senator Pressler would like to have included in the rcord.

[The statement follows:]

OPENING STATEMENT BY SENATOR PRESSLER

I have been working with the USFCS for a number of months in an effort to improve the quality of service to rural states. Many sparsely populated states do not have direct access to USFCS services and must rely on field offices in other states that are often hundreds of miles away. In South Dakota, people must travel to Omaha, NB, to receive USFCS assistance. In Montana, they are serviced by the Denver field office.

Potential exporters from states like South Dakota, Montana, Wyoming, and others deserve equal access to Department of Commerce services. It is imperative that we improve this information link in the interest of economic development

Senator ROCKEFELLER. Our first witness, as I indicated, is Allan Mendelowitz, who is Director, Trade, Energy & Finance Issues, at the General Accounting Office.

Allan, I would welcome you, sir, and your testimony.

STATEMENT OF ALLAN MENDELOWITZ, DIRECTOR, TRADE, ENERGY AND FINANCE ISSUES, GENERAL ACCOUNTING OFFICE; ACCOMPANIED BY BENJAMIN F. NELSON, ASSISTANT DIRECTOR; AND STEPHEN M. LORD, EVALUATOR-IN-CHARGE

Mr. MENDELOWITZ. Thank you, Mr. Chairman.

I would like to introduce my able staff with me today. On my right is Mr. Ben Nelson, who is our Assistant Director, responsible for work on export promotion; and on my left is Steve Lord, who is Evaluator-in-Charge of the work we did on the CIMS system.

With your permission, I will be happy to read an abbreviated statement, then submit my full statement for the record.

Senator ROCKEFELLER. That will be fine.

Mr. MENDELOWITZ. We are pleased to be here today to discuss the results of our recent review of the U.S. and Foreign Commercial Services' Commercial Information Management System. CIMS is ITA's third attempt since 1978 to develop a comprehensive automated trade information database.

CIMS is designed to link the US&FCS' overseas posts and domestic offices to a central database in Washington. The central database is designed to contain three major files: a client file, which is a list of domestic and foreign traders; a research file, which is a repository of market research reports cataloged by subject and country; and three, an events file, which is a listing of upcoming trade promotion activities.

Currently, the central database includes only the client file and research file. Plans to add the events file are on hold. The hardware used to operate the CIMS system consists of an agglomeration of different equipment: a Wang VS-300 minicomputer in Washington, and either minicomputers or personal computers in remote locations.

CIMS itself is a database management system written in three different programming languages: COBOL for the overseas posts, Knowledgeman for personal computers, and Speed II for domestic minicomputers.

As of May 1989, 83 sites, including 24 domestic minicomputer sites, 23 domestic personal computer sites, and 36 overseas minicomputer sites had some limited operational capability.

Although the system is somewhat operable at these points, the system has been plagued by a host of hardware, software and telecommunications problems, which severely affect its use.

In most of the 19 locations we visited, CIMS was not used extensively. As a result, the system appears to have had a limited impact on improving ITA information collection and dissemination.

Let me briefly highlight some of the findings contained in our August 1989 report.

One source of the problems is that CIMS has been implemented on a piecemeal basis as funds have become available from other programs. Although $35 million has been spent on CIMS and its predecessors, the amounts provided annually have been inadequate to support its development schedule.

Hardware deficiencies, such as insufficient storage capacity and slow operating speeds, particularly for site personal computers and the central database computer, limit the ability of staff to access CIMS files.

Users were also generally critical of CIMS software, including the newest release, complaining that it is overly complicated and difficult to grasp, giving them little or no incentive to use it.

Because of software design deficiencies, which make the CIMS system slow and cumbersome to operate, it is difficult if not impossible to provide customers with immediate responses to information requests.

Most of the posts we visited also experienced difficulties in communicating with the central computer database in Washington, D.C., because of faulty telecommunications links.

When we visited the posts in Paris and London last spring, staff were unable to make any retrievals from the central databases' domestic client files because of the lack of adequate telecommunications links between the post and the central database.

With respect to data quality, although program officials told us that the CIMS database now contains client files——

Senator ROCKEFELLER. Allan, can I interrupt?

Mr. MENDELOWITZ. Sure.

Senator ROCKEFELLER. And I will do this, if it is not too annoying. That sounds like a very large expense problem, lack of adequate communications between overseas posts and the central database. What are the dimensions of that insufficiency, financially and in terms of time to get it going?

Mr. MENDELOWITZ. The central problem with respect to the communication between the overseas posts and Washington is a result of the fact that all the overseas posts have to use the State Department's communications network. The quality of the lines that exist between the overseas posts and Washington are of sufficient quality to handle the type of communications that the State Department undertakes.

Unfortunately, they are not of sufficient quality to handle large data transmission. And that is what the CIMS system involves the transmission of large data files.

And because of the low quality of the lines, because of problems with static, because other problems develop, many transmissions get interrupted. Even if you get most of your way through a transmission, if you get an interrupt on the line, you have lost basically the whole file.

Senator ROCKEFELLER. But then how is that overcomeable? In other words, you are probably not going to get the State Department to change its entire——

Mr. MENDELOWITZ. Yes, there are two alternatives for dealing with it. One is you can have your database located in computer facilities at the various overseas posts so you do not need to frequently access the State lines.

The other alternative would be to set up a separate telecommunications system, which would basically provide lines of sufficient quality to provide for data transmission.

Senator ROCKEFELLER. And what would be the most cost- efficient of those two alternatives, setting one up? I assume you would pick some central location in Europe and one in Asia, or would there be one in each of the—and there are what, 66 countries involved here?

Mr. MENDELOWITZ. Yes, I have to be honest, we have not done a detailed cost analysis of one alternative versus the other.

Senator ROCKEFELLER. Okay.

Mr. MENDELOWITZ. But my sort of gut feeling is that it would probably be cheaper to have the database stored locally. You can update it with disks from Washington pouched out on a regular basis on some kind of standard schedule. And my gut feeling is that probably would be a cheaper, lower cost solution to the problem.

Senator ROCKEFELLER. Thank you.

Mr. MENDELOWITZ. Okay?

Senator ROCKEFELLER. Yes.

Mr. MENDELOWITZ. At the point we began the discussion, I was just about to comment on the quality of the data in the files. And as I said, although program officials told us that the CIMS database now contains client files, that is, lists of foreign traders, for 37 countries, which represent approximately 80 percent of the U.S. export market, the quality of some of this information is questionable, because files have not been consistently or systematically updated.

For example, at the time of our review, 95 percent of the 7,000 CIMS records in Tokyo had not been updated in four years.

In addition, some trade specialists we interviewed complained that the information provided was not sufficient to respond to the wide range of client requests. For example, market research on such commodities as coal, lumber, apparel and mining machinery is limited or nonexistent within the system.

With respect to staff required to operate the system, it is questionable whether adequate field staff is in place to implement CIMS as currently designed.

The current design requires extensive data input from field staff. US&FCS field staff, however, have declined since 1985, when the concept for CIMS, which is heavily dependent on field staff, was formulated.

Senator ROCKEFELLER. Allan, can I interrupt again?

You used the word "field" and you used the word "steel." Did you use the word "steel" after you used the word "coal?"

Mr. MENDELOWITZ. I am sorry?

Senator ROCKEFELLER. Have you used the word "steel" or did I just mishear?

Mr. MENDELOWITZ. No, I do not think I have used the word "steel."

Senator ROCKEFELLER. I misheard then. Okay, thank you.

Mr. MENDELOWITZ. It is definitely field. Field.

From 1985 to 1989 domestic office field staff levels were reduced from 368 to 291 positions, while overseas staff positions fell from 696 to 647 positions.

With respect to the legislative requirements regarding the Omnibus Trade and Competitiveness Act of 1988, CIMS officials told us that they expected the trade act to enhance CIMS status, and to be the impetus for expanding and improving its capability.

The act requires Commerce to establish a National Trade Data Bank by August 23rd, 1990. The data bank is to consist of two databases, the International Economic Data System and the Export Promotion Data System.

The act specifically defines the Export Promotion Data System as "The Commercial Information Management System, which is maintained and operated by the United States and Foreign Commercial Service."

The act also requires the system to include elements not presently included in CIMS, such as data on tariffs, export financing and transactions involving barter and countertrade.

Thus, the statute effectively provides for the expansion of the present system.

Commerce currently plans only to package existing CIMS data, together with information from other government agencies, to form this component to the National Trade Data Bank.

Currently, plans are to make this data available to users on computer disks. Commerce officials told us that Congress did not appropriate funds for this effort, so this low-cost approach for satisfying the legislative mandate to create the National Trade Data Bank was all that could be supported.

Given the magnitude of the problems we have identified and the cost to overcome them, we question whether CIMS is still a viable approach for meeting US&FCS information needs.

As previously stated in response to the concerns we raise in our report, ITA is reviewing CIMS' technical design and implementation strategy.

As part of this review, ITA officials have agreed to examine all viable options for meeting ITA information needs, including the potential for using private sector sources.

Lastly, I would like to say that despite the tremendous problems with the CIMS system that we have discussed today, we have been encouraged by the seriousness with which the new leadership at US&FCS is trying to address these issues, and we hope that these well-intended efforts will lead to an improvement in the situation.

This concludes my statement, and I will be happy to respond to any other questions you or the committee may have.

[The statement follows:]

STATEMENT OF ALLAN I. MENDELOWITZ, DIRECTOR, TRADE, ENERGY, AND FINANCE ISSUES
NATIONAL SECURITY AND INTERNATIONAL AFFAIRS DIVISION, GENERAL ACCOUNTING OFFICE

Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to discuss the results of our recent review of the U.S. and Foreign Commercial Service's (US&FCS) Commercial Information Management System, referred to by its acronym, CIMS.

The US&FCS is the export arm of Commerce's International Trade Administration (ITA). With its network of 122 overseas posts and 47 domestic offices, the US&FCS is uniquely situated to collect, analyze, and deliver commercial trade and economic data to businesses interested in exporting abroad and to U.S. government policy makers.

CIMS is ITA's third attempt since 1978 to develop a comprehensive, automated trade information data base. CIMS is designed to link the US&FCS' overseas posts and domestic offices to a central data base in Washington, D.C. The central data base is designed to contain three major files: (1) a client file (a list of domestic and foreign traders), (2) a research file (a repository of market research reports, catalogued by subject and country), and (3) an events file (a listing of upcoming trade promotion activities). Currently, the central data base includes only the client file and research file. Plans to add the events file are on hold.

The hardware used to operate the CIMS system consists of a Wang VS-300 minicomputer in Washington, D.C., with either smaller

minicomputers or personal computers in remote locations. CIMS is a data base management system written in three different programming languages--COBOL for overseas posts, "Knowledgeman" for personal computers, and "Speed II" for domestic minicomputers. As of May 1989, 83 sites (24 domestic minicomputer sites, 23 domestic personal computer sites, and 36 overseas minicomputer sites) had some limited operational capability.

We first raised questions about CIMS development in our January 1989 report,[1] in which we identified significant problems and concluded that CIMS would languish with only minimal capability if the system's problems were not addressed by senior Commerce officials. We recommended that Commerce commission an independent technical review of CIMS status and develop projections of total costs to fully support the system. ITA agreed with our recommendation and commissioned technical and strategic reviews of CIMS, which are now underway.

At the request of this Committee, we completed another, more detailed study of CIMS availability, data quality and cost.[2] As part of this review, we visited 19 domestic and overseas US&FCS offices. At each site, we made a standardized request for CIMS

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[1]Export Promotion: Problems in Commerce's Programs (NSIAD-89-44, Jan. 1989).

[2]Export Promotion: Problems with Commerce's Commercial Information Management System (NSIAD-89-162, Aug. 1989).

information to compare the consistency and quality of CIMS output among the offices we visited.

Although about 83 of 169 overseas and domestic sites have some limited CIMS operational capacity, the system has been plagued by a host of hardware, software, and telecommunications problems, which severely affected its use. In most of the 19 locations we visited, CIMS was not used extensively. As a result, the system appears to have had a limited impact on improving ITA information collection and dissemination.

Let me briefly highlight some of the findings contained in our August 31, 1989 report.

One source of the problems is that CIMS has been implemented on a piecemeal basis as funds have become available from other programs. Although $35 million has been spent on CIMS and its predecessors, the amounts provided annually have not been adequate to support its development schedule.

HARDWARE AND SOFTWARE PROBLEMS

Hardware deficiencies, such as insufficient storage capacity and slow operating speeds, particularly for site personal computers and the central data base computer, limit the ability of staff to access CIMS files.

For example, in Charleston, West Virginia, the limited storage capacity of the personal computers makes the procedures for using CIMS complicated and makes it difficult to download information from the central data base in Washington, D.C. In response to our information request, the staff spent almost 8 hours trying to retrieve and store 15 client files from the central data base. In Detroit, where CIMS hardware consists of seven workstations linked to a minicomputer, staff said CIMS software takes up 65 to 75 percent of the site's computer memory capacity, leaving little core memory for data manipulation.

Users were also generally critical of CIMS software, including the newest release, complaining that it is overly complicated and difficult to grasp, giving them little or no incentive to use it. Because of software design deficiencies, which make the CIMS system slow and cumbersome to operate, it is difficult, if not impossible, to provide customers with immediate responses to information requests.

For example, in San Diego, software problems have prevented CIMS from becoming fully operational; as a result, the office is using another data base management system called "Find-It" to manage its client files. The Singapore office had CIMS installed in May 1988 but has not been able to use it since August 1988 because of software problems. US&FCS staff in Columbia, South Carolina, were experiencing similar problems. The office was using a local data

base on a personal computer using software left over from an earlier automation effort.

As stated in our August 1989 report, software maintenance and redesign have been complicated by the initial decision to use three different versions of CIMS software: (1) COBOL for overseas posts, (2) "Knowledgeman" for those with personal computers, and (3) "Speed II" for headquarters and district office minicomputers. The COBOL version was developed because the State Department allows only COBOL software to be used on its shared embassy systems. Plans to develop new software to improve CIMS operating efficiency were suspended in January 1989 because Commerce's Inspector General objected to the contracting procedures being employed by the CIMS program office.

TELECOMMUNICATIONS PROBLEMS

Most of the foreign posts we visited experienced difficulties in communicating with the central data base in Washington, D.C., because of faulty telecommunications links. When we visited the posts in Paris and London last spring, staff were unable to make any retrievals from the central data base's domestic client files because of the lack of adequate telecommunications links between the posts and the central data base. The London embassy's computer officer complained that current State Department telecommunications links were not intended for long data transmissions, as often required by CIMS, but for short bursts of data which are less

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likely to be disrupted by line static. This official told us that CIMS transmissions to the central data base in Washington, D.C., frequently failed, even if almost complete, because of occasional static in the line.

QUESTIONABLE DATA QUALITY

Although program officials told us that the CIMS data base now contains client files--lists of foreign traders--for 37 countries, which represent approximately 80 percent of the U.S. export market, the quality of some of this information is questionable because files have not been consistently or systematically updated. For example, at the time of our review, 95 percent of the 7,000 CIMS records in Tokyo had not been updated in 4 years.

The second major component of the CIMS data base, the market research data base, primarily consists of information on 10 high-technology industries, such as computer equipment and peripherals. Some trade specialists we interviewed complained that the information provided was not sufficient to respond to the wide range of client requests; for example, market research on such commodities as coal, lumber, apparel, and mining machinery is limited or non-existent. US&FCS officials acknowledged these limitations but said that limited resources require them to channel their efforts toward areas which have the greatest export potential.

INADEQUATE FIELD STAFF TO SUPPORT SYSTEM

It is questionable whether adequate field staff is in place to implement CIMS as currently designed. The current design requires extensive data input from field staff. US&FCS field staff has declined since 1985, when the concept for CIMS, which is heavily dependent on field staff, was formulated. From 1985 to 1989, domestic office field staff levels were reduced from 368 to 291 positions while overseas staff positions fell from 696 to 647 positions.

These field staff reductions have been made as part of an Office of Management and Budget initiative encouraging state governments to assume greater roles in export promotion. The staff reductions also helped to offset the increase in foreign post operating costs caused by the depreciation of the dollar, according to Commerce officials.

POTENTIAL ENHANCEMENT COSTS FOR CIMS

If a decision is made to enhance the current system, we estimated that it will cost at least $13.5 million in fiscal year 1990 for CIMS to reach full operational capacity, which includes funds to upgrade existing hardware, provide additional training, and procure additional market research. Between $9 million and $11 million will be needed each year to support the system between fiscal years 1991 and 1993. This is significantly higher than the funding of about $5 million a year that was provided from 1985 to 1988.

NATIONAL TRADE DATA BANK

CIMS program officials told us they had expected the Omnibus Trade and Competitiveness Act of 1988 to enhance CIMS status and to be the impetus for expanding and improving its capability. The Act requires Commerce to establish a National Trade Data Bank by August 23, 1990. The data bank is to consist of two data bases, the International Economic Data System and the Export Promotion Data System. Section 5401(4) of the Act specifically defines the Export Promotion Data System as "the Commercial Information Management System (CIMS) which is maintained and operated by the United States and Foreign Commercial Service..." The Act also requires the system to include elements not presently included in CIMS, such as data on tariffs, export financing, and transactions involving barter and countertrade. Thus the statute effectively provides for the expansion of the present system.

Commerce currently plans only to package existing CIMS data together with information from other government agencies to form this component of the National Trade Data Bank. Current plans are to make this data available to users on computer disks. Commerce officials told us that Congress did not appropriate funds for this effort, so this low-cost approach for satisfying the legislative mandate to create the National Trade Data Bank was all that could be supported. At the time of our review, Commerce officials told

us they had no firm plans for adding the additional information called for in the Trade Act to CIMS.

We believe that the Secretary of Commerce needs to assess whether the resulting system fully complies with the requirements in the Omnibus Trade Act regarding the composition of the export promotion component of the National Trade Data Bank. If it is determined that the expansion of CIMS to include all items required by the law is not feasible or practical, the Secretary should seek legislative relief from this requirement.

CURRENT DEVELOPMENT ON HOLD PENDING OUTCOME OF TECHNICAL REVIEW

Given the magnitude of the problems we identified and the cost to overcome them, we question whether CIMS is still a viable approach for meeting US&FCS information needs. As previously stated, in response to the concerns we raised in our reports, ITA is reviewing CIMS technical design and implementation strategy. As part of this review, ITA officials have agreed to examine all viable options for meeting ITA information needs, including the potential for using private sector sources. During our audit work, we learned of several commercial trade data bases and visited two of these firms. One system, which is an on-line system for users, has software that is much more sophisticated and easier to use than CIMS. This firm's data base includes trade leads and market research reports prepared by ITA and various other government agencies. It also contains financial, travel, and trade data. The

other firm had an extensive European Community 1992 data base and access to a business-matching data base of European Community firms. It is possible that some of ITA's information processing and distribution needs could be met by such private commercial networks.

US&FCS officials have told us that the technical review, which is being conducted by a large public accounting firm, will be completed by mid-November 1989. The review will discuss a host of alternatives for meeting ITA's future information needs along with the costs associated with each alternative. The report will also discuss possible short-term fixes to improve the performance of the present system.

Mr. Chairman, this concludes my statement and I will be happy to respond to any questions you or the other members of the Committee may have.

Senator ROCKEFELLER. The Senator from Missouri has arrived and Senator Danforth, if you have any comments you wish to make you are certainly welcome.

Senator DANFORTH. No, I do not, Mr. Chairman.

Senator ROCKEFELLER. Allan, let us just get down to—you have mentioned communication lines insufficiency, the possibility of starting these—or improving systems overseas, having more capacity overseas. These things could be done, but you have not studied them.

We were looking at this in 1978 and that was—I forget what that system was. That was the WITS system?

Mr. MENDELOWITZ. WITS.

Senator ROCKEFELLER. Then again in 1981 there was another, that was the AITS system. Do you really believe, in fact, that this can work? Is this a matter of, you know, Director General Sue Schwab simply cracking the whip? Is it a matter of insufficient funding, that Congress gives money but not enough to get anything done on an annual basis, enough. Do you think the system can in fact work?

Mr. MENDELOWITZ. Well, I think for any program to be effective you need three things: you need a clear understanding of the mission, you need the funding to achieve it and implement it, and you need good management to put it in place and oversee it.

I think that over the ten year history that you outlined, the history from WITS to AITS to CIMS, I think we have a long history in which there have been serious problems with respect to a consistent vision of what it was supposed to do, there have been serious problems with respect to inadequate funding and there have been management oversight problems.

Given that there have been deficiencies in all three elements that we view as necessary to implement anything, it is not surprising that there are tremendous problems with the CIMS system today.

From a theoretical perspective, can it work? Sure. From a policy perspective, is an information system like this something potentially useful to small and medium size businesses who are interested in exporting? I think it has a lot of potential.

The question is, if you want it, you have to put someone in place who wants to do a good job and has the ability to do a good job. We seem to be moving in that direction with the new leadership.

But you also have to give them the money to implement the program. The days of multiplying loaves of bread and fish are past, and with inadequate resources you are going to get a program that does not work.

Senator ROCKEFELLER. The chances for lots more money is something much harder to talk about these days than it might have been some years ago and privatization has been a theme of the last decade and indeed in this and other countries it has done some good things.

You get on to CIMS and you have oversight hearings and you become maniacally obsessed with trying to complete the project and it might be the best answer is not to do that but simply to go in another direction.

In fact, I think at the beginning of all this back in 1978 that was one of our problems. There were some people in the private sector who did not like the fact that we were competing with them. Are they around? Is there anything to that approach?

Mr. MENDELOWITZ. One of the things that we stressed when we recommended to Commerce that they undertake a strategic and technical review of CIMS before any further development or expenditure takes place was that they should consider all options, including privatization.

The advantage that Commerce has, that is unique and special, is that it has field offices in the United States and its overseas posts, which make it is uniquely qualified to collect information useful to U.S. exporters, information that no small or medium-sized firm could possibly be in a position to collect on its own.

There is an economy of scale in the collection of information. The fact that Commerce has this unique advantage in the collection of information does not necessarily mean that that comparative advantage has to carry over to the design of computerized systems and the operation of databases.

In the course of our work we looked at what was available in the private sector and we visited a couple of the private sector firms offering comparable services and what we found was really quite interesting. These private sector firms were using information that they got from the U.S. Government, information prepared by US&FCS, for example, and other agencies, and they put it on line in a system that was much easier to use than CIMS, more readily available and readily accessible.

So we would stress again that in considering all the alternatives, that the availability of these private sector competitors who have databases up and running and are now providing services to the private sector, supplying data which in many cases is U.S. Government data, should be something given serious consideration.

Senator ROCKEFELLER. Looking over what it is that Congress has appropriated, you are saying it should be nine. We've never come higher than five and a quarter in 1985, and in fact it has been at four, which means that we are missing the target by at least 100 percent.

Supposing we were to put in nine, would that in fact buy the up-to-date market research and the sophisticated hardware, software that would allow Sue Schwab to finish the job? Because on the one hand you indicate with new leadership maybe we can get somewhere, and on the other hand you're saying it is going to cost $9 million and we clearly have not been doing that. The pattern clearly has not been going in that direction, so at some point leadership cannot prevail over scarce dollars.

Mr. MENDELOWITZ. Absolutely, and I would repeat that. I think you have described the problem absolutely correctly. The best of leadership cannot substitute for inadequate resources if there is not enough money there to do what is necessary to implement the program.

We looked at what we thought would be needed in terms of financial resources to get the system up and running in some kind of minimally respectable way, and our estimate for fiscal year 1990 was about $13.5 million, and then maintenance expenditures in subsequent years out to 1993 of between $9 and $11 million a year, and those figures are substantially more than the amount ever appropriated in the past.

I would like to point out though that CIMS as I understand it is not a line item within the Commerce Department's budget and the funding basically comes from the allocation of available resources within ITA, so it is not just a line item budgeting problem.

Senator ROCKEFELLER. I understand. You used the term appropriated funds. Are there other questions for Allan?

If not, Allan I thank you very much. I thank you for the excellent report.

It would be my guess that you all do things that give insights that we could not possibly have otherwise and that you rarely get adequately thanked for it. I hope you understand how much GAO is respected around here.

Mr. MENDELOWITZ. Thank you very much.

Senator ROCKEFELLER. Thank you, Allan.

Sue Schwab is Director of the US&FCS, and we welcome you, Sue Schwab.

STATEMENT OF SUSAN SCHWAB, DIRECTOR GENERAL, UNITED STATES AND FOREIGN COMMERCIAL SERVICE; ACCOMPANIED BY JOSEPH VASQUEZ, DEPUTY ASSISTANT SECRETARY; AND JANET BARNES, DIRECTOR, COMMERCIAL INFORMATION MANAGEMENT SYSTEM

Ms. SCHWAB. Thank you, Mr. Chairman.

Mr. Chairman, members of the committee, I am delighted to be here today, if you can believe it, to talk about CIMS. I welcome this subcommittee's—and in particular—your continuing interest in CIMS, and I wanted to spend a little time before getting to your questions giving you an idea of where we are on CIMS, addressing some of the issues raised by the GAO and trying to outline some of our initial thinking about a successful CIMS.

CIMS, as you know, is a system with a multitude of problems. These problems cannot be solved overnight. They are not just technical. These problems are technical and organizational and strategic in nature, and they can only be solved by a multifaceted approach. We are already hard at work at this task.

Considering the complex job at hand and the importance of CIMS, I am not content to pursue a series of quick fixes that do not address the fundamental issues. I am convinced that the interest of business seeking timely and accurate export information and the interest of the American taxpayer would not be served by launching into a fixit approach that was not well thought out.

I assured you at my confirmation hearing and will reiterate that CIMS is a major priority, one of our highest priorities. It is also a priority that is shared by Secretary Mosbacher, by Deputy Secretary Tom Murrin and Under Secretary Mike Farren, and with their support I have been able to put together a team of systems professionals working with outside experts to manage CIMS.

Two of our key CIMS players in the US&FCS are here today, Joseph Vasquez, who is my principal deputy, and Janet Barnes, who is the new director of CIMS, and if you get into any technical questions, I will rapidly volunteer them to provide the answer.

They bring to the table the type of experience, both in the public and private sectors' that I believe will be needed to put CIMS back together again.

As I noted at my confirmation hearing, at issue is a system on its third set of acronyms. The problems with CIMS and its predecessors, AITS and WITS, evolved over a decade, and one of the problems was each of these systems attempted to address different needs in different ways. Ultimately, all three had deficiencies linked to a lack of direction, funding, and in some instances, as you noted, apparent opposition from the private sector.

Now, I am not here today to defend CIMS, and I am not going to make excuses for CIMS. I am not here to tell you I am renaming CIMS or dropping it in favor of some other dramatic automation scheme.

I am here to say that I am committed to using automation where appropriate to provide U.S. exporters with the kind of information they need to get the job done, high quality information, and that I am committed as are all of my colleagues back at the Commerce Department to getting the job done properly.

Now, the work of the GAO and the Commerce Department's Inspector General served as the starting point for our own in-depth examination at CIMS, and I might note in particular that the detailed analysis contained in the GAO reports—reports that you commissioned—enabled us to come in and focus much more quickly than would otherwise have been the case.

From a purely technical perspective CIMS problems encompass hardware, software, and data. Our hardware problems include inadequate storage capacity for export-related data, processing limitations, lack of equipment and obsolete equipment.

Software design problems include user friendliness or unfriendliness as the case happens to be, maintenance and support, and lack of functionality, and data problems some of which were referred to by Dr. Mendelowitz, include information quality, poor categorization of information, limited availability and lack of systems maintenance.

While we examine these problems, I would also like to note we are looking at what smaller undertakings we can engage in in the interim to help out some of CIMS users who, as you know, are our field staff. We do not expect any of these to address the fundamental problems of CIMS, but since we do expect this process to take some time, we are exploring shorter term opportunities.

Now, in terms of our longer term view, we are trying to address the hardware and software and data problems that I mentioned. In addition and related to that, we're looking at various management and planning problems documented by the GAO and related problems raised by our Inspector General.

Again, we want to address the underlying causes, not just the symptoms of those problems, and I would note that despite the large investment of money in CIMS and its predecessors, it is clear that not enough time was devoted in the past to basic planning, fundamental planning, and this is a deficiency that we are trying to correct now. That is an investment we are making now, and it is an investment that is better measured in terms of time and in terms of people rather than in terms of sums of money.

Now, as I mentioned earlier, CIMS is not just a technical problem, but a combination of technical, organization and strategic problems. So, our action plan, some of which has been discussed this morning already, consists of first an independent technical review, second, a strategic review running parallel to the technical review, and then ultimately a formal requirements analysis.

The independent technical review of CIMS is being done by Price Waterhouse and will be complete in mid-November. This review is examining hardware, software, and telecommunications issues, some of which you have already discussed this morning.

The technical review will give us an expert outside perspective on CIMS' technical status and the potential to overcome related problems. Along with our other work, this analysis should enable us ultimately to develop plans and projections of costs associated with fully implementing and maintaining CIMS. As I will note later, however, we still have

to conduct a vigorous requirements analysis in order to define what a fully implemented system should look like, answering the question: What is CIMS.

Second, our strategic review, which is being run in tandem with the technical review, is addressing the organizational and strategic problems that impact on CIMS and in this way we hope to develop a better idea of what exporter needs are.

We are getting input from current and potential U.S. exporters in the private sector. Surveys of our domestic and overseas staff, focus groups and discussion groups with export multiplier organizations, including state and local government, representatives of our District Export Councils and officers from other ITA units.

Finally, we are also doing a review of the literature and looking at other alternatives that may be available in the private sector.

This review is the first of its kind for the US&FCS, and we hope and expect it will give us a picture of what U.S. firms need from us, what kind of services we should be offering, what should our priorities be, what should we be emphasizing, and which of those priorities are conducive to delivery through an automated information system.

And then finally, drawing——

Senator ROCKEFELLER. And there has been no study done since 1978 which asks those questions or at least not to your satisfaction?

Ms. SCHWAB. Not that I am aware of and certainly not as comprehensive as the one we are doing now.

Finally, drawing on the results of the two reviews, the technical and the strategic reviews, a requirements analysis plan will ultimately establish the final policy decisions and set the policy framework that will serve as a blueprint for future CIMS development.

We would expect this analysis to begin in January 1990.

Now, initial results of the independent technical review and some glimpses we have had into the strategic review have already given us some ideas of what a successful CIMS might look like. Obviously, these ideas may change as we gather more information on user needs and as we define our operational and program strategy, but at present I would like to just list six components that we ultimately expect will be key to a successful CIMS:

A realistic functional scope, a manageable hardware and software environment, the use of commercial alternatives where appropriate, enhanced operating flexibility, high data quality and standards and design flexibility.

As I mentioned earlier, our first objective is to come to some understanding, some consensus, some agreement on what CIMS really is and what it should be. Once that decision or those decisions are made, all other issues will be more readily addressed.

Now, Mr. Chairman, I recognize that this process is going to take some time, but I feel very strongly that given the importance of CIMS to our export enhancement mission, I think the investment of time in the planning process is essential. I do not think there is any substitute for it, and I think the history of CIMS and its predecessors offers a

good lesson as to what happens when you go barreling into a program without having done adequate planning.

I thank you again and the subcommittee for your interest in CIMS and am delighted to be here for the first of your annual reviews during my tenure as Director General of the US&FCS.

I would be more than happy to try to answer any questions you might have.

[The statement and questions and answers follows:]

TESTIMONY OF
SUSAN C. SCHWAB
DIRECTOR GENERAL
U.S. AND FOREIGN COMMERCIAL SERVICE
BEFORE THE
SUBCOMMITTEE ON FOREIGN COMMERCE AND TOURISM;
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION,
U.S. SENATE

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE, I AM PLEASED TO MEET WITH YOU TODAY. WE VALUE YOUR STRONG SUPPORT FOR THE U.S. AND FOREIGN COMMERCIAL SERVICE (US&FCS) AND YOUR CONTINUING INTEREST IN THE COMMERCIAL INFORMATION MANAGEMENT SYSTEM (CIMS). I WELCOME THIS OPPORTUNITY TO BRING YOU UP TO DATE ON THE STATUS OF CIMS, TO DESCRIBE HOW WE ARE ADDRESSING THE GENERAL ACCOUNTING OFFICE'S (GAO) CONCERNS ABOUT THE SYSTEM, AND TO OUTLINE FOR YOU OUR INITIAL ASSESSMENT OF THE KEY COMPONENTS OF A SUCCESSFUL CIMS.

CIMS IS A SYSTEM WITH A MULTITUDE OF PROBLEMS. THESE PROBLEMS CANNOT BE SOLVED OVERNIGHT -- THEY ARE TOO COMPLEX. THE PROBLEMS ARE NOT JUST TECHNICAL. THEY ARE TECHNICAL, ORGANIZATIONAL AND STRATEGIC IN NATURE, AND CAN ONLY BE SOLVED BY A MULTI-FACETED APPROACH. WE ARE ALREADY HARD AT WORK ON THIS TASK.

CONSIDERING THE COMPLEX JOB AT HAND, AND THE IMPORTANCE OF CIMS, I AM NOT CONTENT TO PURSUE A SERIES OF QUICK FIXES THAT DO NOT ADDRESS THE FUNDAMENTAL ISSUES. I AM CONVINCED THAT THE INTERESTS OF U.S. BUSINESS SEEKING TIMELY, ACCURATE EXPORT INFORMATION, AND OF THE AMERICAN TAXPAYER, WOULD NOT BE WELL SERVED BY SUCH AN APPROACH.

I WANT TO ASSURE YOU THAT CIMS IS NOW, AND WILL CONTINUE TO BE, ONE OF MY HIGHEST PRIORITIES -- AN INTEREST I KNOW IS SHARED BY

SECRETARY MOSBACHER, COMMERCE DEPUTY SECRETARY MURRIN AND INTERNATIONAL TRADE UNDER SECRETARY FARREN. WITH THEIR SUPPORT, I HAVE PUT TOGETHER A STRONG TEAM OF INFORMATION SYSTEM PROFESSIONALS, SUPPORTED BY EXPERT OUTSIDE CONTRACTORS, TO MANAGE CIMS. TWO OF THOSE PROFESSIONALS ARE WITH ME TODAY. MY PRINCIPAL DEPUTY, JOSEPH A. VASQUEZ, JR., HAS A SUPERB MANAGEMENT AND ENGINEERING BACKGROUND. THE NEW CIMS DIRECTOR, JANET BARNES, HAS EXTENSIVE PUBLIC AND PRIVATE SECTOR EXPERIENCE IN DESIGN AND OPERATION OF LARGE-SCALE COMPUTER SYSTEMS. THEY BRING TO THE CIMS PROJECT THE COMBINATION OF PUBLIC AND PRIVATE SECTOR EXPERIENCE THAT IS ESSENTIAL TO SUCCESSFULLY ADDRESS CIMS' PROBLEMS.

AS I NOTED AT MY CONFIRMATION HEARING FOUR MONTHS AGO, AT ISSUE IS A SYSTEM ON ITS THIRD SET OF ACRONYMS. THE PROBLEMS WITH CIMS AND ITS PREDECESSORS, THE AUTOMATED INFORMATION TRANSFER SYSTEM (AITS) AND WORLDWIDE INFORMATION TRANSFER SYSTEM (WITS), EVOLVED OVER A DECADE. EACH OF THESE SYSTEMS ATTEMPTED TO ADDRESS DIFFERENT NEEDS IN DIFFERENT WAYS. THEY RANGED FROM CENTRALIZED HIGH TECH SYSTEMS TO MORE MUNDANE DECENTRALIZED DESIGNS THAT WERE LITTLE MORE THAN OFFICE AUTOMATION. ALL THREE HAD DEFICIENCIES LINKED TO LACK OF DIRECTION, FUNDING, AND IN SOME INSTANCES, APPARENT RESISTANCE FROM THE PRIVATE SECTOR.

I AM NOT HERE TODAY TO DEFEND CIMS. OR TO MAKE EXCUSES. I AM NOT HERE TO TELL YOU THAT WE ARE RENAMING CIMS, OR PROPOSING TO DROP IT IN FAVOR OF YET ANOTHER DRAMATIC AUTOMATION SCHEME.

I AM HERE TO TELL YOU THAT I AM COMMITTED TO USING AUTOMATION TO PROVIDE U.S. EXPORTERS, WHERE APPROPRIATE, WITH HIGH QUALITY TRADE INFORMATION. AND, I AM COMMITTED TO AN ALL-OUT EFFORT TO ADDRESS CIMS' PROBLEMS.

THE OMNIBUS TRADE AND COMPETITIVENESS ACT OF 1988 AFFIRMED CONGRESS' STRONG COMMITMENT TO USING AUTOMATION TO IMPROVE U.S. FIRMS' ACCESS TO TRADE INFORMATION. AS YOU KNOW, CIMS WAS SPECIFICALLY DESIGNATED AS ONE COMPONENT OF THE NATIONAL TRADE DATA BANK (NTDB). WE ARE ENDEAVORING TO BRING CIMS INTO COMPLIANCE WITH THE REQUIREMENTS OF THE ACT.

THE AUTOMATION NEEDS OF THE US&FCS DIFFER SOMEWHAT FROM THOSE OF THE NATIONAL TRADE DATA BANK. THE NTDB IS DESIGNED TO DISSEMINATE ECONOMIC AND TRADE INFORMATION TO POLICYMAKERS AND ANALYSTS, AND TO PROVIDE INFORMATION ON HIGH EXPORT POTENTIAL INDUSTRY SECTORS TO U.S. FIRMS. THIS INFORMATION WILL BE COLLECTED FROM A WIDE VARIETY OF FEDERAL AGENCIES.

WHILE INFORMATION FROM CIMS IS TO BE PART OF THE NTDB, CIMS ITSELF, AS A TOOL OR A SYSTEM, IS NOT. FOR ONE THING, NOT ALL OF THE DATA IN CIMS IS APPROPRIATE FOR THE NTDB. FOR EXAMPLE, OUR DISTRICT OFFICE CLIENT RECORDS THAT PLAY SUCH AN IMPORTANT ROLE IN OUR ONE-ON-ONE BUSINESS COUNSELING DO NOT BELONG IN THE NTDB. IN ADDITION, WE HAVE OFFICE AUTOMATION, COMMUNICATIONS AND USER SUPPORT

NEEDS THAT DO NOT RELATE AT ALL TO THE NTDB. THE SYSTEMS COMPLEMENT EACH OTHER, BUT CANNOT BE SUBSTITUTES.

BACKGROUND AND CURRENT STATUS

THE WORK OF THE GAO AND COMMERCE'S INSPECTOR GENERAL SERVED AS THE STARTING POINT FOR OUR OWN IN-DEPTH EXAMINATION OF THE SYSTEM.

FROM A PURELY TECHNICAL PERSPECTIVE, CIMS' PROBLEMS ENCOMPASS HARDWARE, SOFTWARE AND DATA. HARDWARE PROBLEMS INCLUDE: INADEQUATE STORAGE CAPACITY FOR EXPORT-RELATED DATA, PROCESSING LIMITATIONS, LACK OF EQUIPMENT, AND OBSOLETE EQUIPMENT. SOFTWARE DESIGN PROBLEMS INVOLVE USER FRIENDLINESS, MAINTENANCE AND SUPPORT, AND LACK OF FUNCTIONALITY. DATA PROBLEMS INCLUDE INFORMATION QUALITY, POOR CATEGORIZATION OF INFORMATION, LIMITED AVAILABILITY AND LACK OF SYSTEMATIC MAINTENANCE.

CIMS HAS BEEN INSTALLED AT ALL US&FCS DOMESTIC OFFICES, HEADQUARTERS AND IN 48 OUT OF THE 65 OVERSEAS COUNTRIES IN WHICH WE OPERATE. HOWEVER, THE EXTENT TO WHICH CIMS IS BEING USED VARIES GREATLY. SOME OF OUR DOMESTIC STAFF USE THE SYSTEM, USE IT OFTEN, AND USE IT CREATIVELY. OTHER USERS, PARTICULARLY AT SITES WHICH USE PERSONAL COMPUTERS, DO NOT USE THE SYSTEM AT ALL. OVERSEAS, THE RESULTS ARE NOT AS ENCOURAGING. WITH FEW EXCEPTIONS, SUCH AS US&FCS LONDON, OUR POSTS ARE NOT USING CIMS AS FREQUENTLY AS WE HAD HOPED. DATA

TRANSMISSION PROBLEMS AND THE SOFTWARE'S LACK OF "USER FRIENDLINESS" APPEAR TO DISCOURAGE WIDER USE OF THE SYSTEM BY OVERSEAS PERSONNEL.

WHILE WE EXAMINE THESE PROBLEMS WE WILL ALSO FOCUS ON IMPROVING USER ACCESS, RESPONSE TIME AND "USER FRIENDLINESS" OF THE CURRENT SYSTEM. THIS WILL NOT SOLVE THE FUNDAMENTAL PROBLEMS OF CIMS, BUT MAY MAKE CIMS EASIER FOR OUR FIELD STAFF TO USE IN THE INTERIM. GIVEN THE DEPTH AND BREADTH OF OUR CONCERNS, WE BELIEVE THIS IS THE ONLY PRUDENT COURSE OF ACTION.

ACTION TO ADDRESS GAO ISSUES

WE ARE ADDRESSING THE HARDWARE, SOFTWARE, DATA QUALITY, MANAGEMENT AND PLANNING ISSUES DOCUMENTED BY THE GAO, AND RELATED CONCERNS EXPRESSED BY OUR INSPECTOR GENERAL. WE SEEK NOT SIMPLY TO ADDRESS SYMPTOMS, BUT RATHER THE UNDERLYING PROBLEMS.

DESPITE THE LARGE INVESTMENT OF MONEY IN CIMS AND ITS PREDECESSORS, IT IS CLEAR NOT ENOUGH TIME WAS DEVOTED TO BASIC PLANNING. WE MUST CORRECT THIS DEFICIENCY AND I AM MAKING THAT INVESTMENT NOW. IT IS AN INVESTMENT THAT CAN BE MEASURED BEST IN TERMS OF TIME AND PEOPLE RATHER THAN SUMS OF MONEY. IT WILL SLOW IMPLEMENTATION, BUT IF WE DO OTHERWISE WE RUN THE RISK OF FACING THE SAME PROBLEMS YET AGAIN

IN THE FUTURE. I KNOW HOW ANXIOUS YOU ARE TO SEE CIMS FULLY OPERATIONAL. SO ARE WE. THE TIME WE ARE INVESTING NOW TO RETHINK AND REFOCUS CIMS IS THE MINIMUM ACCEPTABLE BY EITHER PUBLIC OR PRIVATE SECTOR STANDARDS.

EARLIER I MENTIONED THAT CIMS IS NOT JUST A TECHNICAL PROBLEM, BUT A COMBINATION OF TECHNICAL, ORGANIZATIONAL AND STRATEGIC PROBLEMS. THEREFORE, OUR ACTION PLAN CONSISTS OF:

- o AN INDEPENDENT TECHNICAL REVIEW
- o A STRATEGIC REVIEW
- o A FORMAL REQUIREMENTS ANALYSIS

THE INDEPENDENT TECHNICAL REVIEW OF CIMS BY PRICE WATERHOUSE WILL BE COMPLETED IN MID-NOVEMBER. THE REVIEW WAS INITIATED ON THE BASIS OF THE GAO'S RECOMMENDATION, AND WORK STARTED IN EARLY AUGUST FOLLOWING A COMPETITIVE SELECTION OF THE CONTRACTOR. THE REVIEW IS EXAMINING CIMS HARDWARE, SOFTWARE AND TELECOMMUNICATIONS COMPONENTS. IT CONSISTS OF A HARDWARE AND SOFTWARE SYSTEMS REVIEW, ON-SITE OBSERVATION OF DOMESTIC AND OVERSEAS OPERATIONS AND ITA USER SURVEYS. PRICE WATERHOUSE WILL ALSO EXAMINE SECURITY CONSIDERATIONS, PROJECT MANAGEMENT PRACTICES AND USER SUPPORT.

THE TECHNICAL REVIEW WILL GIVE US AN EXPERT OUTSIDE PERSPECTIVE ON CIMS' TECHNICAL STATUS AND THE POTENTIAL TO OVERCOME RELATED PROBLEMS. ALONG WITH OUR OTHER WORK, THIS ANALYSIS WILL ENABLE US

TO DEVELOP PLANS AND PROJECTIONS OF COSTS ASSOCIATED WITH FULLY IMPLEMENTING AND MAINTAINING CIMS. AS I WILL NOTE LATER, HOWEVER, WE MUST STILL CONDUCT A RIGOROUS REQUIREMENTS ANALYSIS IN ORDER TO DEVELOP A DESCRIPTION OF WHAT A "FULLY IMPLEMENTED" SYSTEM SHOULD LOOK LIKE.

A SECOND, STRATEGIC REVIEW, BEING RUN IN TANDEM WITH THE TECHNICAL REVIEW, IS ADDRESSING THE ORGANIZATIONAL AND STRATEGIC PROBLEMS THAT IMPACT ON CIMS. IN THIS WAY, WE HOPE TO DEVELOP A BETTER IDEA OF EXPORTER NEEDS BASED ON:

- INPUT FROM CURRENT AND POTENTIAL U.S. EXPORTERS
- SURVEYS OF DOMESTIC AND OVERSEAS STAFF
- FOCUS/DISCUSSION GROUPS WITH "EXPORT MULTIPLIER" ORGANIZATIONS, REPRESENTATIVES OF OUR DISTRICT EXPORT COUNCILS, AND OFFICERS FROM OTHER ITA UNITS
- REVIEWS OF LITERATURE ON EXPORTER NEEDS AND BEHAVIOR

THESE NEEDS WILL BE COMPARED AGAINST CURRENT US&FCS PROGRAMS AS WELL AS NON-US&FCS ALTERNATIVES. THE STRATEGIC REVIEW IS ALSO EXAMINING ALTERNATIVE INFORMATION SOURCES SO WE CAN FOCUS ON THE MOST EFFICIENT MEANS AVAILABLE TO OBTAIN AND DELIVER TRADE INFORMATION. WE ARE STUDYING AVAILABLE TECHNOLOGIES AND THE EXPERIENCES OF OTHER ORGANIZATIONS WHICH SHARE SIMILAR TYPES OF INFORMATION HANDLING NEEDS. ANOTHER PHASE OF THE REVIEW WILL IDENTIFY ORGANIZATION, STAFFING AND MANAGEMENT ISSUES WE MUST ADDRESS TO ACHIEVE OUR

MISSION AND IMPROVE PRODUCTIVITY. AND, WE WILL ALSO LOOK AT HOW WE CAN IMPROVE OUR COOPERATION WITH STATE AND PRIVATE SECTOR "MULTIPLIERS."

THIS REVIEW, THE FIRST OF ITS KIND FOR THE US&FCS, WILL GIVE US A PICTURE OF WHAT U.S. FIRMS NEED FROM US AND WHAT OUR SERVICE PRIORITIES SHOULD BE. IT SHOULD THEN HELP US TO USE AUTOMATION, WHERE APPROPRIATE, TO MEET THOSE PRIORITIES.

FINALLY, DRAWING ON THE RESULTS OF THE FIRST TWO REVIEWS, A REQUIREMENTS ANALYSIS PLAN WILL ULTIMATELY ESTABLISH THE FINAL POLICY DECISIONS THAT WILL SERVE AS A BLUEPRINT FOR FUTURE CIMS DEVELOPMENT. WE HOPE TO BEGIN THIS ANALYSIS IN JANUARY 1990.

CIMS CONCEPT

INITIAL RESULTS OF THE INDEPENDENT TECHNICAL AND STRATEGIC REVIEWS ARE ALREADY GIVING US AN IDEA OF WHAT CIMS SHOULD BE. SOON AFTER MR. VASQUEZ AND I JOINED THE US&FCS, IT BECAME APPARENT TO US THAT NO TWO INDIVIDUALS SHARE THE SAME VISION OF CIMS -- OF WHAT CIMS IS EXPECTED TO BE -- OF HOW THE SYSTEM SHOULD OPERATE -- OF HOW USERS SHOULD RELATE TO IT. I BELIEVE THE GAO'S REPORTS CONFIRM THIS OBSERVATION.

THERE ARE AT LEAST THREE VIEWS OF WHAT CIMS IS SUPPOSED TO BE:

- AN INTERNAL, ANALYTICAL TOOL. IN THIS VERSION OF CIMS IT IS A HIGHLY SOPHISTICATED SYSTEM INTENDED FOR USE BY ITA STAFF TO COLLECT AND ANALYZE TRADE DATA THAT CAN THEN BE CUSTOMIZED FOR EACH INDIVIDUAL CLIENT. THE FOCUS IS INTERNAL: TO IMPROVE ITA'S ABILITY TO ANALYZE TRADE DATA, TO PRODUCE HIGHLY SOPHISTICATED INFORMATION PRODUCTS AND SERVICES AND TO INCREASE USER FEES.

- A BUSINESS TOOL. THIS VIEW OF CIMS IS VERY DIFFERENT. IT IS A GLOBAL TRADING NETWORK, AVAILABLE TO U.S. CLIENTS THROUGH OUR DISTRICT OFFICE NETWORK. USING CIMS A CLIENT COULD OBTAIN SPECIFIC TRADE LEADS, A LIST OF AGENTS OR DISTRIBUTORS, OR DETAILED MARKET RESEARCH ON A PRODUCT ON THE SPOT. THIS VIEW FOCUSES ON PROVIDING SPECIFIC COMMERCIAL SALES OPPORTUNITIES DIRECTLY TO PRIVATE SECTOR CLIENTS, INCLUDING POTENTIAL EXPORTERS AND NON-PROFIT ORGANIZATIONS.

- A STANDARDIZED INFORMATION PROCESSING SYSTEM. THIS VERSION OF CIMS IS ONE OF A SIMPLER SYSTEM TO STORE MARKET RESEARCH, TRADE LISTS, AND FOREIGN AND DOMESTIC CONTACT DATA. THE FOCUS IS NOT ON ANALYSIS, AND NOT ON CIMS AS A BUSINESS TOOL. INSTEAD, THIS SYSTEM IS DESIGNED TO AUTOMATE OUR BASIC TRADE INFORMATION AND MAKE IT MORE ACCESSIBLE. PRIMARILY, THIS SYSTEM IS ONE DESIGNED TO SUPPORT ITA STAFF IN THE FIELD.

IN THE FINAL ANALYSIS, WE WOULD HOPE TO ACHIEVE ASPECTS OF ALL THREE VERSIONS OF CIMS, UNDERSTANDING THAT THE BASIS MUST BE A STANDARDIZED INFORMATION PROCESSING SYSTEM UPON WHICH WE CAN LATER BUILD CERTAIN ANALYTICAL CAPABILITIES. HOWEVER, THE NEED TO HAVE A SINGLE, CLEAR VIEW OF CIMS IS ESSENTIAL TO MAKE ANY PROGRESS AT ALL. CIMS CANNOT BE ALL THINGS TO ALL PEOPLE.

PRELIMINARY THINKING ON FUTURE DIRECTION OF CIMS

I WOULD NOW LIKE TO OUTLINE OUR INITIAL THOUGHTS ON WHAT WE MUST DO IF CIMS IS TO BECOME AN EFFECTIVE TRADE INFORMATION SYSTEM FOR U.S. EXPORTERS. THESE MAY CHANGE AS WE GATHER MORE INFORMATION ON USER NEEDS AND AS WE DEFINE OUR OPERATIONAL AND PROGRAM STRATEGY; BUT AT PRESENT, WE SEE SIX KEY COMPONENTS TO A SUCCESSFUL CIMS. THESE INCLUDE:

- A REALISTIC FUNCTIONAL SCOPE
- A MANAGEABLE HARDWARE/SOFTWARE ENVIRONMENT
- THE USE OF COMMERCIAL ALTERNATIVES WHERE APPROPRIATE
- ENHANCED OPERATING FLEXIBILITY
- HIGH DATA QUALITY AND STANDARDS
- DESIGN FLEXIBILITY

AS I MENTIONED EARLIER, CIMS IS MANY THINGS TO MANY PEOPLE. THIS INDICATES THE LACK OF A REALISTIC, FUNCTIONAL SCOPE. AS A RESULT, PERHAPS NO USER IS SERVED WELL. OUR FIRST OBJECTIVE IS TO COME TO

AGREEMENT ON WHAT CIMS REALLY IS. TO ACCOMPLISH THIS WE MUST DEFINE THE SCOPE OF CIMS IN SUCH AS WAY AS TO DISTINGUISH WORD PROCESSING FROM DATA PROCESSING, TRANSMITTING LARGE DATA FILES ACROSS OCEANS FROM DAY-TO-DAY ELECTRONIC MAIL APPLICATIONS, AND DATA FROM THE HARDWARE AND ELECTRONIC TOOLS THAT PROCESS IT. THIS APPROACH WILL FACILITATE THE IMPLEMENTATION OF CIMS AND QUICKEN THE PACE OF RESULTS.

OUR SECOND KEY COMPONENT IS A MANAGEABLE HARDWARE/SOFTWARE ENVIRONMENT. THE SUPPORT, TRAINING, MAINTENANCE AND FUTURE DEVELOPMENT COSTS ASSOCIATED WITH OPERATING SEVERAL SEPARATE TYPES OF SOFTWARE ARE UNJUSTIFIED. ORIGINALLY, USE OF MULTIPLE HARDWARE/SOFTWARE ENVIRONMENTS MAY HAVE BEEN A VALIANT ATTEMPT TO DO THE BEST GIVEN THE RESOURCES AVAILABLE. BUT IT WAS NOT A SUCCESSFUL APPROACH. THE EFFORT TO CREATE MULTIPLE PARALLEL SYSTEMS DILUTED THE QUALITY OF ALL.

BY ADOPTING A MANAGEABLE HARDWARE/SOFTWARE ENVIRONMENT, ELECTRONIC DATA TRANSFER, TRAINING, DOCUMENTATION, OPERATIONS/MAINTENANCE PROCEDURES, AND PROGRAMMING CAN BE ACCOMPLISHED MORE EFFICIENTLY AND AT LOWER OVERALL COST.

THIRD, WE NEED TO USE LEGITIMATE COMMERCIAL ALTERNATIVES WHERE THEY ARE COST EFFECTIVE AND APPROPRIATE. IN THE PAST, ONLY LIMITED USE HAS BEEN MADE OF COMPETITIVE (AND MORE RIGOROUSLY MANAGED) COMMERCIAL OPTIONS FOR OPERATING THE CIMS FACILITY, MAINTAINING DATA

AND DISSEMINATING INFORMATION TO OUR OFFICES. THIS IS AN AVENUE THAT WE MUST EXPLORE. PRIVATE SECTOR VENDORS APPEAR TO HAVE THE TECHNICAL CAPABILITY TO REFORMAT OUR INFORMATION AND MAKE IT AVAILABLE TO THE PUBLIC. SOME OF THESE SAME VENDORS MAY HAVE DEVELOPED SOFTWARE PACKAGES THAT ADDRESS THE KEY PROBLEMS WE FACE, SUCH AS LACK OF "USER FRIENDLINESS."

THE FOURTH COMPONENT IS OPERATING FLEXIBILITY. WE MUST DESIGN CIMS TO FUNCTION IN AN OPERATING ENVIRONMENT THAT IS, AT BEST, UNCERTAIN. WE DEPEND ON THE DEPARTMENT OF STATE FOR OPERATIONAL SUPPORT OVERSEAS. OUR TELECOMMUNICATIONS, HARDWARE AND SOFTWARE ARE ALL SUBJECT TO DECISIONS THAT ARE AT TIMES OUTSIDE OUR ABILITY TO INFLUENCE OR CONTROL. HARDWARE DECISIONS ILLUSTRATE THIS PROBLEM. MUCH OF THE CIMS EQUIPMENT IS OBSOLETE. IN MANY CASES, REPLACEMENT IS THE ONLY ALTERNATIVE. THERE ARE A VARIETY OF DIFFERENT TYPES OF EQUIPMENT ON THE MARKET THAT WOULD DELIVER THE PERFORMANCE WE NEED. HOWEVER, OUR CURRENT EQUIPMENT OPTIONS ARE LIMITED BECAUSE WE MUST INTERFACE WITH STATE'S EQUIPMENT OVERSEAS, AND STATE IS STILL IN THE MIDST OF RECOMPETING ITS OWN EQUIPMENT PROCUREMENT CONTRACT.

ANOTHER EXAMPLE IS TELECOMMUNICATIONS. WHEN OUR OVERSEAS OFFICES ATTEMPT TO TRANSMIT UPDATES OF THEIR FILES TO HEADQUARTERS, THEY SOMETIMES OVERWHELM STATE'S TELECOMMUNICATIONS CAPABILITIES WHICH WERE APPARENTLY NOT DESIGNED WITH THIS TYPE OF APPLICATION IN MIND.

CLEARLY, ONE KEY TO IMPLEMENTING CIMS WILL BE THE EXTENT TO WHICH WE CAN WORK WITH STATE TO ADDRESS THESE ISSUES AND PERHAPS ACHIEVE AT LEAST SOME MEASURE OF INDEPENDENCE. THIS IS NOT A CRITICISM OF STATE, BUT WE RECOGNIZE STATE'S DATA TRANSFER AND DATA PROCESSING NEEDS MAY DIFFER FROM OURS.

A DATA PROCESSING SYSTEM IS ONLY AS GOOD AS ITS DATA. THEREFORE, THE FIFTH KEY COMPONENT OF A FULLY FUNCTIONING CIMS IS TO ESTABLISH AND MAINTAIN QUALITY DATA. WE KNOW THE CURRENT CIMS DATA ENTRY PROCESS TESTS THE LIMITS OF OUR FIELD PERSONNEL'S ENDURANCE. DATA ENTRY, EVEN IN ITS SIMPLEST FORM, IS FAR TOO COMPLEX AND TIME CONSUMING. THREE THINGS MUST BE ADDRESSED: INCREASED "USER FRIENDLINESS" OF THE SYSTEM; STRICT QUALITY ASSURANCE STANDARDS; AND PLACEMENT OF A HIGHER INSTITUTIONAL PRIORITY ON DATA.

FINALLY, WE MUST HAVE AN INFORMATION SYSTEM THAT HAS THE DESIGN FLEXIBILITY TO ACCOMMODATE CHANGES IN USER NEEDS. CIMS MUST BE ABLE TO HELP US RESPOND FASTER TO CHANGING FORCES IN THE INTERNATIONAL MARKETPLACE. IT MUST ALSO HAVE THE FLEXIBILITY TO TAKE ADVANTAGE OF THE INCREDIBLE PACE OF DEVELOPMENT IN AUTOMATED SYSTEMS TECHNOLOGY. WE CANNOT AFFORD TO BUILD ANOTHER SYSTEM THAT WILL BE OBSOLETE BY THE TIME IT IS IN PLACE. TO SUCCEED, CIMS MUST BE ABLE TO CHANGE AS OUR ENVIRONMENT AND THE NEEDS OF THE BUSINESS COMMUNITY CHANGE.

WE FEEL THAT ALL SIX COMPONENTS MUST BE ADDRESSED IF CIMS IS TO BECOME AN EFFECTIVE TOOL. THIS PROCESS WILL TAKE SOME TIME, BUT

GIVEN THE IMPORTANCE OF CIMS TO OUR EXPORT EXPANSION MISSION, I BELIEVE THE INVESTMENT OF TIME IN PLANNING IS ESSENTIAL.

CONCLUDING REMARKS

I THANK THE SUBCOMMITTEE, ONCE AGAIN, FOR GIVING ME THE OPPORTUNITY TO UPDATE YOU ON THE STATUS OF CIMS, TO INDICATE OUR CURRENT THINKING ABOUT THE PROBLEMS WE FACE, AND TO PROJECT A LITTLE INTO OUR FUTURE. WE APPRECIATE YOUR STRONG, CONTINUING INTEREST IN CIMS AND IN THE US&FCS. I AM CONFIDENT YOU WILL SEE SIGNIFICANT CHANGES AND IMPROVEMENTS IN THE SYSTEM OVER THE NEXT YEAR.

SENATOR PRESSLER

QUESTIONS FOR THE RECORD

Q.1.

QUESTION:

What is the position of the US&FCS on expanding its operations to include field offices or satellite offices in rural states?

ANSWER:

Because of resource limitations, it is the position of the U.S. and Foreign Commercial Service (US&FCS) not to expand its current operations with the addition of new District Offices or Branch Office locations. At present, the US&FCS maintains 47 District and 21 Branch Office operations. Each state--including each rural state--is currently serviced by an existing District Office or trade specialist located in a Branch Office. Because of the budget situation facing the US&FCS, we consider our domestic non-expansion policy to be a prudent and fiscally-sound management approach.

Q.2

QUESTION:

I understand that the Department of Commerce has undertaken a joint agreement with the city of Cedar Rapids, Iowa, to better utilize the US&FCS services in that area. How does that program work and, what are its applications to other areas in the future?

ANSWER:

The US&FCS has entered into a public/private partnership with the Cedar Rapids Chamber of Commerce in Cedar Rapids, Iowa.

Under the terms of the agreement, the US&FCS has committed to locate a senior trade specialist in Cedar Rapids, for a specific period of time, to train a Chamber employee trade promotion officer. Under the direction of the US&FCS Des Moines District Director, the senior trade specialist will work with the Chamber to develop a sound export promotion program that will service the needs of the Cedar Rapids international business community and surrounding areas. This partnership will provide the information and assistance to the local community while enhancing the resources and outreach of the US&FCS in the State.

This program will be operational in 1990. Future expansion of this program will be largely determined by its success.

Senator ROCKEFELLER. Thank you. You indicated that Price Waterhouse was laying out, among other things, priorities.

What is CIMS meant to be doing? Try to give me a tight paragraph of what it ought to be doing, how it ought to be servicing not only your field offices, but folks back home who might become interested in exporting.

Ms. SCHWAB. Well, I guess one of the biggest problems with CIMS is that that particular issue has never been addressed, and there has never been an answer that can be summed up in a tight paragraph, and you should be able to sum it up in a tight paragraph.

The technical review will tell us what is CIMS in terms of hardware, software, and some of those technical aspects.

The strategic review is designed to tell us what should be in CIMS, what kind of data, what would be useful. We would like to have in this system or use this system to disseminate that information and those services and those information products that would be most useful to the small and medium sized exporters you have mentioned.

I do not believe we can say with any confidence right now what those information products and services are or should be.

Senator ROCKEFELLER. But you have an idea, Sue? In other words, you know what it is that you are trying to do in that job, and you know what it is that you are——

Ms. SCHWAB. Absolutely.

Senator ROCKEFELLER.——giving people in this country and various states, regions complain about and what your field people complain about overseas?

Ms. SCHWAB. Absolutely.

To give you some example, market research is an obvious one. If you are a widget producer in West Virginia and you think you might be interested in exporting, what information would you need? Well, you would like to know what are the good markets overseas for widgets. We should be in a position to answer that question for you or to find you the answer to that question.

You might be interested in knowing who could be a potential agent or distributor for your product in that country. We should probably be in the position of being able to tell you that. Or you may have the name of an agent who has come to you and said I would like to distribute your widgets in my country. You would like to be able to check that company out before you start doing business with them. Or, alternatively, you would like to find out what the competition you would have. Who are the other widget exporters to that market. What are the prices in that market. That is the kind of information you might find useful.

Now, all of that information, all of those products, information products and services we supply—in theory. That information is and should be available in every US&FCS district office.

Currently some of it is of better quality than others. Some of it is more complete than others. But in that package, we need to know what is the most time-sensitive. How up to date should the market research be. How many countries should we have to cover?

Senator ROCKEFELLER. Your overall budget last year was what, 93——

Ms. SCHWAB. Actually closer to 75.

Senator ROCKEFELLER. 75.

Ms. SCHWAB. You have to take out some of the overhead.

Senator ROCKEFELLER. Okay. Then how do you go about deciding what you can commit to CIMS? In other words, if it has been 5, 4, and before that 3, 2, 1——

Ms. SCHWAB. Right.

Senator ROCKEFELLER.To make a half commitment to something clearly is inadequate, and yet you have various functions you have to do and payrolls you have to meet. How do you go about that?

Ms. SCHWAB. Well, the first thing, close to 80 percent of our budget is pay and benefits. We are a labor-intensive organization. We are in information services, a multinational. So, 80 percent—and increasing—is the proportion of our money that goes to people. Obviously you do not lay people off. We leave jobs vacant because we cannot afford to hire people to fill them.

Now, I should point out these are the very people who are either collecting or disseminating the information that we are talking about. So, the field structure has to be an integral part of CIMS. That is where the research and the dissemination and the counseling takes place.

The remaining part of the budget goes to things like training, publications, travel, CIMS, and that has been squeezed dramatically since 1985 as our purchasing power plummeted with the drop in the value of the dollar. It is not anybody's fault. So, you allocate to your priorities, but your first priority ultimately has to be meeting your payroll, and I think that has been one of the problems.

Another problem has been lack of certainty as to how much money you have. We are now in fiscal year 1990. I still cannot tell you how much money we are going to have. Even as our appropriations bill moves through the process I cannot tell you. It is almost out of the process. I cannot tell you. I cannot tell you because of the sequester, among other things. I cannot tell you because of certain add-ons that went into the ITA budget. So, it may be the end of the year before I know how much we have. That obviously has an impact on CIMS.

In terms of the answer to your immediate question, in the immediate foreseeable future, I am operating by and large under a budget, and will be for the first 18 months of my tenure, that somebody else wrote. I mean, given the budget process, we are now in discussions with OMB for our fiscal year '91 budget request. That will be the first budget where I have been able to lay out my own priorities.

The money for CIMS in the fiscal year '90 budget is very limited. It is for basic operations, no enhancement, and there is no money for new contract market research beyond that which we do ourselves. So, it is not a pretty picture. One has to set priorities, and we will obviously endeavor to do that, and we will obviously endeavor to find whatever money we need to put this back together again, but that is where we are.

Senator ROCKEFELLER. I have used up my time for this first round. Senator Burns, Senator Danforth.

Senator BURNS. Thank you, Mr. Chairman.

This is my first oversight hearing so I am still in the learning process so you will have to bear with me a little bit.

We have commodity groups that sell overseas. In other words, the wheat people and the corn people all have offices in the Far East and they also have some offices in the Middle East and other places. How do you interact with those people, or do you?

Ms. SCHWAB. By and large we do not interact actively with agricultural commodity groups other than in value added or processed agricultural commodities. The commodities, bulk commodities, for example,

are very well taken care of by the Foreign Agricultural Service and various export programs.

I will give you an example. In Japan, for example, the Foreign Agricultural Service's budget is at least ten times the one that we have got in Japan, so they have a lot of support already.

We do work closely with the Foreign Agricultural Service on that range of products that we have in common—you know, some of the processed agricultural products—but not generally the commodity groups. We work most closely with industry groups, trade associations in manufacturing.

Senator BURNS. A question, yes or no, I guess: should we be adding more value to our raw products or agricultural products before we export them?

Ms. SCHWAB. We have been a successful exporter in bulk commodities. We are increasingly successful in value added agricultural commodities, and by value added I mean beef as opposed to feed grains, going right up through canned seafood, which we do, for example, have responsibility for.

Senator BURNS. You know, I live in what has been regarded as a remote state, so I am interested in your information database, because with the new technologies in communications we can access data now with computers and I applaud you and the thrust you are making in that direction.

I think it will be very helpful, because out in the remote areas, there are some small manufacturers, in fact we have one in Missoula that is in the medical supply business just one little thing that he makes, and he has been able to take advantage of the computer database. It was a struggle at first, but I think you can facilitate that if the database is where he wants to do business generally.

So I applaud you for that and I just want to make sure you know that I think that program should go on and be set up in some way so that you can communicate across this country, without exporters having to physically come in and talk to you in person. I applaud you on that thrust and wish you much success in that respect.

Those are all the questions I have. I just have some comments for this oversight hearing that I would like to submit for the record, Mr. Chairman. Thank you very much, and thank you for coming today. I appreciate that.

Ms. SCHWAB. Thank you, senator.

Senator ROCKEFELLER. Thank you, senator. Senator Danforth?

Senator DANFORTH. I cannot think of any questions, Mr. Chairman. I just wanted to come by and pay my respects to Sue Schwab. My regard for her is I think well known.

Ms. SCHWAB. Thank you, Senator Danforth.

Senator DANFORTH. I was just saying to Senator Burns, in my opinion Sue Schwab is absolutely brilliant and the best person I know in dealing with matters of trade policy and strategy and how to work things out in international negotiations and how to deal with Congress and so on.

Senator BURNS. Next she will be writing a book.

Senator DANFORTH. It must be hard to get to work in the office.

Ms. SCHWAB. We spend a great deal of time with the General Accounting Office.

Senator DANFORTH. The GAO is a wonderful organization and it has done some great services for the Commerce Committee on a number of fronts. The studies that they have done on airline concentration have really been outstanding and I am sure this is too, so I am confident that this is an important subject.

What can we do for you, other than this? How can we be of service? I think that the job of the Foreign Commercial Service is very, very important. I think that it is essential that we do everything we can to push U.S. exports and that exports are really the answer.

I mean, that was what you were working on when you were working with me. How do we improve the U.S. trade picture? Not by cutting off imports but by opening up markets and you are really on the front lines in doing that, so I guess my general question in a general oversight hearing is what are the one or two things that we could do that would be most helpful?

Ms. SCHWAB. Wow. Santa Claus arrives early. I guess my initial response would be, do the sort of thing you are doing now, which is care enough to pay attention to what we are doing. Notice that we are there.

Senator Rockefeller made a comment in his opening remarks that is very similar to some comments that I have made in some of my public speeches. Namely, trade policy and trade promotion and the line between them is very, very fuzzy. You can open as many markets as you can through 301 or through Super 301 or through the Uruguay Round, but if American business is not there to take advantage of it the Koreans get the business and the Japanese get the business or the Germans get the business or the Danes get the business, and we do not.

That ultimately becomes a function of the private sector in the United States having the products and the drive to export them and the government being there to help where necessary. I think a key philosophical point that I know that you and the Chairman are very comfortable with I am happy to say the Administration is comfortable with and the Commerce Department is comfortable with, namely that there is a legitimate role for government to play in working with business to promote U.S. exports, and that philosophical point has not always been one on which there is a consensus.

Ultimately, when there is a consensus on that, the funds will follow, the attention will follow. If export promotion is a priority, and you are in the best position to help make it a priority, that is ultimately what will make the difference.

Senator DANFORTH. Let me ask you some regional questions with respect to Japan and the structural talks with Japan. The aim there is to deal with big problems and getting into a market, but if there is an agency in our government that has the specific mission of trying to get into that market, it is yours. Are you consulted with respect to the structural negotiations?

Ms. SCHWAB. Yes. We are very much involved in the SII talks and in Super 301 activities. We have a session next week, as a matter of fact, here in Washington with the Japanese. I will be participating in that. Under Secretary Farren is very much involved and very active along with Assistant Secretary Dallara at Treasury, Under Secretary McCormick and Ambassador Linn Williams of State and USTR respectively.

A lot of us have been working very hard and a lot of the work on the ground in Japan is being done by the Foreign Commercial Service.

Senator DANFORTH. The other area would be Europe, and if there is any area that is changing, that is it. Western with Europe 1992 and now increasingly the possibilities of greater economic freedom in Eastern Europe. Are you geared up for that? Have you put enough attention and enough concentration on Europe?

Ms. SCHWAB. We have been working very hard to build the profile and to build our capability. There have been dozens and dozens of seminars around the United States that we have been doing—we in this case being the International Trade Administration, US&FCS district offices and others in ITA—seminars and conferences for American business to acquaint them with what is going on in Europe, and we have done a lot of research and analysis in Washington and we have our offices in all of the European capitals.

We are in the process, I hope, of working out with the Department of State our first presence at the U.S. delegation to the EEC and we hope that will be worked out in relatively short order so that we have a coordination point to keep track of what is going on, get the information back to the United States so that it can be in the hands of small and medium-sized companies.

In the case of Eastern Europe, the Soviet Union and Eastern Europe, we have a presence. We have a presence in Moscow, we are in Romania, Hungary and Poland. We are a very small presence there. One of the initiatives we are looking at is our overseas allocation of resources. Where do you put your people? Because we have got vacancies that we cannot fill. So where do you put that marginal person.

Senator DANFORTH. You have vacancies in Europe?

Ms. SCHWAB. Yes, sir. The money has not been there to fill them.

Senator DANFORTH. Well then you do not have vacancies. You just do not have the money to pay for them. I mean, you are not looking for people. You are not running want ads and coming up short, you just do not have the resources.

Ms. SCHWAB. No. We have unfilled positions.

Senator DANFORTH. What should we be doing in Europe? I mean, let us say that we were real go-getters and we said well, we want to be active participants in Europe in the 21st Century, in both Western Europe and Eastern Europe.

I heard on one of the morning talk shows this Gerasimov, is that his name? He said that in his opinion the Europeans are much more forthcoming in economic relations with the Soviet Union than is the United States.

Say that we wanted to do that. Say that we wanted to get very involved in trade relations in Eastern Europe, should we be putting in a major offensive in that area?

Ms. SCHWAB. Obviously we want to be where the growth markets are and there is a lot going on in Eastern Europe in the economic area that is quite exciting.

Secretary Mosbacher was in Hungary and Poland in September and I participated in that trip and we met with various government officials and American business groups who were interested in getting into those markets.

There are obviously a lot of risks inherent in that and as you know an initiative that was just announced by the President will have Secretary Mosbacher and some of his colleagues in the Cabinet going back to Poland at the end of November with a blue ribbon group of business, agriculture and academic experts to see what we can do, what we should be doing.

Senator DANFORTH. Does the Administration now have a plan for what we should be doing to try to take maximum advantage of the European market? Is there a specific program?

Ms. SCHWAB. Well, the Eastern European—you are talking about Western Europe now?

Senator DANFORTH. I am talking about both together, I mean, Part A, Part B.

Ms. SCHWAB. Yes, entailing very different sets of issues and problems, though. Yes, there is a substantial focus on what is going on in Western Europe, the implications of EC 1992? We believe that we can do more and part of this is involved in our discussions with the State Department.

Senator DANFORTH. Well, I guess I am talking more about an action plan. I mean, if our job is to try to make sales abroad should we not have an action plan? I mean, should we not have a ready program that says all right, here is how we take advantage of these new opportunities and here is what we do and here are the personnel that we need?

A lot of people have criticized the fact that in Brussels the Commerce Department has been almost nonexistent. It has been just left off the team.

But looking beyond just monitoring what is going on in the particular negotiations, and looking more at an action type program, how do you get into new markets? How do we actually sell what we have? What is the role of the Commerce Department? Should we not have a kind of a blueprint both for Western and Eastern Europe, including how many people you need and how they should be deployed and what they should be doing?

Ms. SCHWAB. Well, we have a lot of people on the ground who are doing just what you describe, and we are building that in the context of trying to get people into USEC in Brussels as you described.

In the context of our resource allocation matrix, I discovered when I came into the US&FCS that decisions as to where you were going to put your people, or more accurately where you were going to leave

your vacancies, where you were not going to fill your slots, were being made on the basis of market potential data that was four years old.

So we are just in the process, and we will have completed this fall, a review of that using more recent data. Not surprisingly, we are finding we need to beef up our presence in parts of Europe. In the meantime, we are doing exactly as you describe—to the extent we have got the resources anywhere in the world, we have resources in Europe, we are doing the kind of reporting about opportunities, about potential problems, about how to go about taking advantage of those opportunities in the European arena.

That information is fed back to the United States and we endeavor to get it into the hands of as many American exporters as we possibly can. We have a lot of trade missions going out, matchmaker delegations going out to try and get as many American companies involved in that market as possible.

As you can imagine, the interest in doing business in Europe has gone up dramatically with the press attention to EC '92, so that game plan is in effect and we are trying to enhance our activities where we feel they are lacking.

Senator DANFORTH. Should we be doing more, less, or about the same?

Ms. SCHWAB. I have discovered since I came back to the Executive Branch that the phrase "enough money' is an oxymoron. You can never do enough. You can never do enough, and we do not do as much as a lot of other countries.

Senator DANFORTH. You know it just might— I am just thinking off the top of my head, but it might be a reasonable idea for the Administration—I do not know whether you could do this on your own notion or whether it would have to be the Secretary or somebody else—to write us a letter and just say look, here is the situation with respect to Europe, Eastern and Western, and here is the kind of presence we should have, and we cannot cover it now. We do not have the resources to do it now.

In other words, it is one thing to say well, here are sort of the general world-wide needs and everybody around here yawns. But if there is truly a changing situation in Eastern and Western Europe, if there is truly a changing situation and real opportunities, and a concern that those opportunities could pass us by, then maybe we should have an action program.

Maybe the Secretary, or you, or the President, or somebody, should say to the Congress, here is a specific proposal that we have to meet this specific need. Will you support us?

Ms. SCHWAB. I could find out what we can do and how we could do it. Some of that actually appeared in the President's fiscal year '90 budget.

Senator DANFORTH. Well, could you look into that and let us know? What I am saying to you is, do not be bashful. I know that everybody who comes here and says well, we have to talk to OMB and do not read my lips and that kind of a thing, but if we ask you to just write us a letter about a specific subject, you will do it, right?

Ms. SCHWAB. Obviously.

Senator DANFORTH. Well, I will be by my mail slot looking for it.

Senator ROCKEFELLER. Thank you, Senator Danforth.

Sue, I want to return to the Commercial Information Management System, CIMS, just for a final moment and a final question, because I really think it is not global in the discussing of it, but it is so essential and it has got be done correctly.

I have noticed, for example, in a rural state like West Virginia, where we have federal procurement conferences, I mean, classically what happens is a senator or a congressman has in a group of people from the Department of Defense and other places, and people give pitches as to how they can do this and pass out forms how they can do that. And you get 150 people, small- and medium-sized business people, that come in and they really want to do just federal procurement. I am not talking about export business, just federal procurement.

And there is sort of like a psychological block to doing that, to those who have not done it before. They are the uniformed people from the services telling we have got to buy food, it is not just bullets and tanks, but food and uniforms and zippers and all kinds of other things.

And our people hear that and that is what they are producing, but somehow there is a barrier, perhaps psychological, because they have not done it before, although the world is one tiny planet, still, a lot of people see themselves as encased in a relatively non-international situation, even though they may be, as a state, export dependent, as we are.

And if that can happen in federal procurement, and as a result, there often is not much follow-up. You know, you have your one-day seminar. And I have become a bit cynical about that process, because it looks good, but it really is not a service, and therefore the follow-up is incredibly important. And where there is follow-up done it can work.

People who are in the wholesale grocery business in West Virginia can sell food. You know, where you have military bases, presumably people eat. And therefore things can happen.

But that is just federal procurement. Yours is much more complicated, and that is why the information system, CIMS, is, to me, really, really important stuff.

In West Virginia, we have a lot of people that do not have jobs. And that is true in a lot of other places. We are rural; we do not tend to be international in our thinking, even though, as I have said to you many times before, we are supremely internationally dependent.

I think 17 percent of our gross state product is exported, and it is not all coal. In fact, much less than half of it is coal.

So I really want these things to work.

Roger Fortner, who is one of your people, and our West Virginia person is here today. As I have told you many times before, he is excellent.

Now our people need jobs. The instinct to export is not natural—that is not a naturally born instinct. That has to be helped and encouraged and nurtured. And hence, the importance of CIMS, and hence, this sort of annual follow-up on it.

Having said that. You have discussed your money problems, you have vacancies; I do not think we are going to see expanded financial opportunities, you have a GAO report now at hand, a Price Waterhouse report coming in November, you indicated. You want it corrected, you are ambitious to do so, you have a mandate to do so.

We are all slightly embarrassed that we have 11 years now of efforts and it has not worked.

Specifically, what will be your next steps?

You are going to get the report from Price Waterhouse in November, you have the GAO report, you have got the financial problems. What are you going to do, Sue?

Ms. SCHWAB. The next steps: a mid-November technical review, a strategic review is ongoing, there are a whole series of tasks being worked on, and we expect that to be complete by the end of the year.

Beginning January, when we have both of those studies, we begin working on the requirements analysis. The requirements analysis takes those two reviews and puts them together to come up with the decision program, the decision menu for the policymakers. And we need to come up with a blueprint for, once we have defined CIMS, how we deliver CIMS.

And we need to come up with something that is pragmatic.

You have listed a number of the constraints. I do not expect many of the constraints to go away anytime soon.

I believe very strongly in the system, in the need for getting the kind of information that you were talking about, and that we were talking about earlier, to exporters and would-be exporters, whether in West Virginia or anywhere else in the nation, where there are exporters and would-be exporters.

I guess that then takes us into early spring, spring of 1990. At that stage, I would hope we could come back to you and say, all right, this is what we have come up with, this is what we have in mind, this is how we intend to put it in place. And we would like to work with you to see that that is done, and get your feedback as to whether that is what you had in mind as well, and whether that would work.

It is a lengthy and tedious process. The strategic review, for example, is involving hundreds of people. We are bringing hundreds of people in, both our own and private sector participants, to make sure that we are touching the bases.

And at that point, I hope we can come back to you and say this is where we are, this is where we would like to go, what do you think.

Senator ROCKEFELLER. Good. Okay.

Let us stop. I very much appreciate your being here, and I think Allan left. And I realize that we changed the hearing at the last moment, and I appreciate your flexibility on that.

I know you know that I have great confidence in you. I know that you are attentive to this problem, you mentioned in your comments and I did in mine. I think the not-invented here exports mean, you know, something that goes from West Virginia to Nebraska. That whole problem is very real and we are deficient nationally and within our own states, in terms of that instinct to export.

Other countries do not have that problem because they do not have our market size and for all kinds of other geographical reasons, and we have to overcome that.

I really see CIMS as a basic and fundamental, positive tool to help exporters. I really do. I mean I really believe in it. Not in it so much, as in what it can produce and make available to people.

I see your attitude in your testimony is essentially open, that you are I think optimistic, while being practical at the same time. You are dealing with a tough situation; I recognize that. I agree with you that the Federal Government does have a role to play.

In fact, I think the Federal Government may be the only one that can fulfill this kind of function. I mean you have to have your Roger Fortners, you have to have your people overseas. I mean it just does not work otherwise.

Small- and medium-sized businesses are by definition not multinational, so that is where we have to help.

So, anyway, I applaud you for that, for what you are doing. I recognize that it is not going to be solved overnight. I think you would agree that 11 years is probably a bit long. And I will look forward to our next hearing on the subject.

And I thank you very much. The hearing is adjourned.

[Whereupon, at 12:33 p.m., the hearing was adjourned.]

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